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BANGALORE, TUESDAY, JANUARY 16, 1951

PART IV

Section 2-A.

BILLS, SELECT COMMITTEE REPORTS, IF ANY, THEREON AND ACTS AND ORDINANCES OF MYSORE.

NOTIFICATION.

No. L. D. 3097, Bangalore, dated 16th January 1951.

Under Rule 36 of the Mysore Legislative Rules, the Mysore State Aid to Industries Bill, 1951, together with Statement of Objects and Reasons, is published for general information.

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THE MYSORE STATE AID TO INDUSTRIES BILL, 1951

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THE MYSORE STATE AID TO INDUSTRIES BILL, 1951.

A Bill to regulate State aid to Industries.

WHEREAS it is expedient to empower the Government to assist in the establishment and development of industries in the State of Mysore ; Preamble.

It is hereby enacted as follows :—

1. (1) This Act may be called the Mysore State Aid to Industries Act, 1951. Short title, extent and commencement.

(2) It extends to the whole of the State of Mysore.

(3) It shall come into force at once.

2. In this Act, Definitions.

(1) " cottage industry " means any industry carried on by a worker in his own home ;

(2) " Government " means the State Government ;

(3) " prescribed " means prescribed by rules made under this Act ;

(4) " village industry " means any industry which forms the normal occupation, whether whole time or part-time, of any class of the rural population of the State.

3. The Government may appoint any officer or other person to perform all or any of the functions of the Director of Industries under this Act. Director of Industries.

4. (1) There shall be constituted a Board of Industries consisting of ten members including the Chairman and the *ex-officio* member. Board of Industries.

(2) The Chairman and four members shall be nominated by the Government, one member shall be elected by the Mysore Chamber of Commerce and three members shall be elected by the Mysore Legislative Assembly from amongst its members. The Manager of the Bank of Mysore Limited, Bangalore, shall be the *ex-officio* member of the Board.

(3) The election of one member by the Mysore Chamber of Commerce and of three members by the Mysore Legislative Assembly shall be conducted in such manner as may be prescribed. A return of the name of every person elected shall be made to the Government by the President of the Mysore Chamber of Commerce or the Secretary of the Mysore Legislative Assembly, as the case may be, and such return shall be published in the *Mysore Gazette*.

(4) The Board of Industries shall assist the Government in dealing with applications for the grant of State aid under this Act.

(5) No member shall vote on or take part in the discussion of any question coming up for consideration at a meeting of the Board of Industries if the question is one in which he has any direct or indirect pecuniary interest by himself or his partner or in which he is interested professionally on behalf of a client or as agent for any person other than the Government or a local authority.

No aid except in accordance with the provisions of this Act.

5. No aid shall be given by the Government to any industrial business or enterprise except in accordance with the provisions of this Act.

Industries to be aided.

6. (1) The industries to which aid may be given under this Act shall be such as have an important bearing on the economic development of the country and shall be :

(*a*) new or nascent industries, or

(*b*) industries to be newly introduced into areas where such industries are undeveloped, or

(*c*) cottage industries, or

(*d*) old or established industries :

Provided that aid shall not be given to any old or established industry unless the Government are satisfied that special reasons exist for giving such aid.

(2) No such aid shall be given to any joint stock company unless :

(*a*) the same is registered in India on a rupee capital, and

(*b*) the company conforms to such rules as may be made by the Government from time to time requiring that a minimum number or a proportion of the members of its board of management shall be citizens of India :

Provided further that every recipient of aid under this Act shall make such provision for the training of apprentices as the Government may, from time to time, prescribe.

(3) The decision of the Government as to whether the conditions of this section are fulfilled shall be final and shall not be called in question in any court of law.

Method of giving State aid.

7. Subject to the provisions of this Act and of the rules framed thereunder, the Government shall have power to give aid to an industrial business or enterprise in one or more of the following ways :—

(*a*) by granting a loan ;

(*b*) by guaranteeing a cash credit, overdraft or fixed advance with a bank ;

(*c*) by paying a subsidy, in the case of a cottage industry for any purpose, and in the case of any other industry for the conduct of research or the purchase of machinery ;

(*d*) by subscribing for shares or debentures ;

(*e*) by guaranteeing a minimum return on part of the capital of a joint-stock company ;

(*f*) by making a grant on favourable terms of land, raw material, firewood or water ;

(*g*) by supplying at concessional rates electric energy from a source owned by the Government.

Application for State aid and procedure in dealing with applications.

8. (1) Any person desiring to obtain a loan or other aid for any industrial business or enterprise shall make his application to the Director of Industries in such form and shall furnish such information concerning his business as may be prescribed.

(2) If the extent of the aid applied for exceeds Rs. 50,000 and in any other case in which he considers this procedure necessary, the Director of Industries shall publish a notice in the prescribed manner calling upon

any person who objects to the grant of the aid applied for, to state his objections at a time or place to be specified, and shall hear such objections and make such inquiry as may be necessary.

(3) Every application for aid shall be placed before the Board of Industries for advice.

(4) The Government may constitute district committees for the purpose of advising on applications for aid.

(5) No aid shall be granted under this Act if the Board by a unanimous resolution at a meeting advises the rejection of the application.

Grant of loans.

9. No loan shall be granted of an amount exceeding fifty per cent of the net value of the assets of the industrial business or enterprise and of any other property offered as collateral security for the loan, after deducting in both cases existing encumbrances, such value to be ascertained by such person as may be appointed by the Government and in accordance with such rules as may be prescribed; for the purpose of this valuation the additional assets which may be created by the expenditure of the sums granted may be taken into account to such extent as may be prescribed.

Loans how secured.

10. Every loan granted under this Act, shall be secured by a mortgage or floating charge upon the whole of the assets of the business or enterprise, subject to any encumbrances existing at the time of the grant, and by such collateral security, if any, as may be required by the Government, and shall bear interest payable on such dates and at such rates as the Government may determine.

Inspection and returns.

11. In any case in which a loan has been applied for under this Act, the applicant, and at any time during the currency of a loan that has been granted under it, the grantee, shall be bound—

(*a*) to comply with any general or special order of the Government relative to the inspection of the premises, buildings, or plant or stock in hand of the industrial business or enterprise;

(*b*) to permit the inspection of all accounts relative to the industrial business or enterprise;

(*c*) to furnish full returns of all products manufactured or sold both as regards description and quantity;

(*d*) to maintain such special accounts or to furnish such statement as the Government may, from time to time, require;

(*e*) to submit the accounts of the industrial business or enterprise to such audit as the Government may prescribe.

Control of business assisted.

12. In any case in which a loan or loans is or are granted under this Act, amounting to two lakhs of rupees or upwards, the Government shall, and in any other case may, by the appointment of Government directors or otherwise, take power to ensure such control over the conduct of the business or enterprise as shall suffice in their opinion to safeguard their interests.

Repayment of loans.

13. (1) Every loan granted under this Act shall be made repayable by instalments within such period from the date of the actual advance of the loan, or when the loan is advanced in instalments, from the date of payment of the last instalment, as may be fixed by the order granting the loan.

(2) The period fixed as aforesaid shall not exceed ten years unless the Government shall, by general or special order, extend the same.

Guaranteeing of loans by banks.

14. No guarantee of a cash credit, overdraft or fixed advance with a bank shall be given except under the conditions prescribed in sections 9 to 12 in respect of loans.

Exemption of small and cottage industries.

15. Save as otherwise may be prescribed by rules made under this Act, nothing in sections 9, 10, 11 and 14, shall apply to any industrial business or enterprise with a capital outlay not exceeding two thousand rupees or to cottage industries.

Subscriptions for shares or debentures or guarantee of a minimum return on capital.

16. The condition of subscription for shares and debentures by the Government or the guarantee of a minimum return on the capital of any industrial business or enterprise shall be that the business or enterprise shall be subject to the conditions of section 11 in respect of

inspection and returns as well as to the provisions of section 12 in respect of Government control:

Provided that—

(*a*) for all shares subscribed by the Government, there must be taken up and fully paid for not less than an equal number of shares;

(*b*) for all capital on which a return is guaranteed by the Government, there shall be paid up not less than an equal amount of capital which carries no guarantee.

Subsidy by the Government.

17. The condition of a grant of subsidy or of any payment under guarantee of a minimum return on the paid-up capital or of the grant of Government land, raw material, firewood or water on favourable terms, or of the supply, from a Government source, of electric energy at concessional rates, shall ordinarily be that an amount equal to the sum paid or to the value of the grant or concession as fixed at the time when it is made, shall be repaid to the Government at the close of a fixed term of years, if, within that term, the industrial business or enterprise shall be shown to be paying interest or a dividend upon the capital invested in excess of such rate as the Government may fix.

No subsidy (to an industry other than a cottage industry) shall exceed forty per cent of the cost of the research or of the cost of the machinery as the case may be.

Disposal of profits when condition of State aid is not fulfilled.

18. No recipient of State aid shall pay any dividend or distribute or take any profits in excess of such percentage rate upon the amount of the capital of the industrial business or enterprise as the Government may fix from time to time until the conditions on which the State aid has been granted are fulfilled. The balance of the profits, after setting aside proper amounts for depreciation or obsolescence of plant and buildings, and for the payment of interest on debentures of loans, shall be carried to a reserve fund to be utilized in such manner as the Government may approve.

Methods of recovery of money due.

19. (1) All moneys payable under this Act, including any interest chargeable thereon and costs, if any, incurred, if not paid when due, may be recovered from the person

aided and his surety, if any, under the law for the time being in force, as if they were arrears of land revenue.

(2) When any sum due as aforesaid is paid by the surety or is recovered from him or out of his property under sub-section (1), the Deputy Commissioner shall, on the application of the surety, so far as possible, recover the same from the person aided and pay the same to the surety.

State aid granted prior to commencement of Act.

20. Any such aid as is referred to in section 7, given by the Government to any industry prior to the commencement of this Act, shall, on the issue of an order to that effect by the Government in the *Mysore Gazette*, be deemed to be aid given under this Act and on the issue of such order, all the provisions of this Act and of any rules made thereunder shall apply to such aid and such industry as if such aid was given to such industry under this Act.

Power to make rules.

21. (1) The Government may make rules to carry out all or any of the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power, they may make rules regulating all or any of the following matters :—

(i) the classes of industrial businesses or enterprises to which and the purposes for which aid may be given;

(ii) the term of office of the members of the Board of Industries, the quorum at the Board's meetings, the method of arriving at its decisions, the appointment of its staff, the remuneration of its members and all other matters relative to the conduct of its business ; and the constitution and functions of district committees;

(iii) the manner of making applications for State aid and the information to be given in such applications, provided that no such rules shall require any applicant or grantee of aid to divulge any information relating to the technical details of any process of any patent owned by him;

(iv) the manner of conducting inquiries and the matters to be specially inquired into in dealing

with applications for the State aid and the powers to be exercised by the Director of Industries conducting such inquiries ;

(v) the mode of ascertaining the value of the assets of an industrial business or enterprise ; or of any property offered as collateral security for a loan ;

(vi) the nature of the security to be taken for the due application of loans and grants and the rates of interest at which and the conditions under which loans or grants may be given, and the creation of a mortgage, floating charge or collateral security under section 10 ;

(vii) the inspection of the premises, buildings, plant and stock on hand and the accounts of any industrial business or enterprise for which State aid has been granted ;

(viii) the mode of keeping and auditing the accounts and of furnishing returns of any industrial business or enterprise in respect of which State aid has been granted ;

(ix) the appointment and functions of Government directors or the prescribing of other methods of control of industrial businesses or enterprises in respect of which State aid has been granted ;

(x) the application of profits in cases in which the conditions under which loans or grants have been made have not been fulfilled ;

(xi) the guaranteeing by the Government of cash credits, over-drafts or fixed advances by banks and the recognition of banks for this purpose ;

(xii) the fixing of the period for the repayment of loans and the conditions and dates of the repayment of subsidies and grants ;

(xiii) the recovery of any moneys due under this Act ; and

(xiv) the conditions under which and the security on which loans shall be granted or guarantees of a cash credit, overdraft or fixed advance with a bank given to the industries referred to in section 15 :

Provided that such rules are laid on the table of the Mysore Legislative Assembly and notified in the *Mysore Gazette*, one month after which they shall have the force of law unless amended by the Mysore Legislative Assembly within that period or, if the Assembly is not sitting during that period, at its next meeting.

Powers of Government as regards starting or conducting industries and giving aid of certain kinds.

22. Nothing in this Act shall be held to debar the Government,

(*a*) from starting or conducting industrial enterprises for experimental purposes or with a view to stimulate industrial development ;

(*b*) from assisting an industrial business or enterprise by agreements to purchase on business terms the whole or a portion of the products of the same ;

(*c*) from assisting an industrial business or enterprise by giving gratis or on favourable terms, the services of Government officials or experts either in the capacity of advisers or for a limited period not exceeding one year for starting or conducting such business or enterprise ;

(*d*) from assisting an industrial business or enterprise in connection with industrial education or the training of apprentices ;

(*e*) from assisting a village industry in any manner which may be determined by the Government.

Statement of Objects and Reasons.

The question of establishing an Industrial Finance Corporation in the State has been engaging the attention of Government for some time past. The Government of India were requested to extend the provisions of the Industrial Finance Corporation Act, 1948, to the Mysore State so that the Industrial concerns requiring large funds for expansion schemes may have the benefit of assistance from the Central Corporation. The Central Act provides for assistance to Industrial concerns up to a limit not exceeding 50 lakhs. The Government of India are taking necessary action to extend the provisions

of the Central Act to the State and meanwhile, the Industrial Finance Corporation of India have also agreed to consider the applications for financial assistance from the industries in the Mysore State. For financing industries requiring funds of smaller magnitude up to 10 lakhs, the Government of India have proposed a Bill for the establishment of the State Finance Corporation. The Bill is being placed before the Union Parliament and after it is passed into law, Government can take necessary action to establish a State Finance Corporation within the State by means of a notification. The State Finance Corporation when set up will have a share capital not exceeding Rs. 2 crores, the issue of shares to the public being limited to 25 per cent. The Corporation will be managed by a Board of Directors majority of whom will be nominated by the State Government. The main intention of such a corporation will be to finance medium and small scale industries and consider only cases which are outside the scope of Central Finance Industrial Corporation. After the provisions of the Industrial Finance Corporation Act are extended and a State Finance Corporation is set up, there will still be cases where the State Government may have to directly render assistance, as in the case of cottage industries, loans to educated unemployed and industries which may not receive assistance either from the Central Finance Corporation or from the State Finance Corporation. Apart from the granting of loans to such industries, there may be cases where Government may have to encourage industrial expansion by investments in the shares of companies, providing other concessions like supply of electricity at concession rates, grant of sites, etc. With a view to regularise such grants or concessions to industries directly by the State Government, it is considered necessary to set up a Board of Industries as envisaged in the Bill so as to advise the State Government in granting financial and other aid and hence the present Bill is brought up for consideration.

By Order of His Highness the Maharaja,

B. S. PUTTASWAMY,
Legal Remembrancer and
Secretary to Government,
Law Department.

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